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Venezuela

POULTRY AND PRODUCTS ANNUAL

Venezuela Poultry Annual Report

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Report Highlights:

Venezuela's poultry industry has fared better during 2009. Poultry consumption is expected to continue expanding in 2010, but production may decline because of price controls and high feed costs. Poultry imports from Brazil will continue, making the domestic industry less profitable.

Executive Summary:

Production is expected to decline in 2010 in response to price controls and high feed costs. Price controls compromise profit margins, but boost consumption, a trend that is expected to continue in 2010. The poultry sector foresees a boost in consumption as the government

continues to play an active role as a poultry importer and supplier through its state-owned food distribution network. Poultry products offered through the government's distribution network are even cheaper than current controlled prices. Government poultry imports from Brazil, the main supplier, are not subject to tariff or custom charges.

Commodities:

Poultry, Eggs

Poultry, Meat, Broiler

Poultry, Meat, Turkey

Production:

Estimated 2009 poultry production is 920,000 metric tons, a three percent decrease from 2008. This decrease in production was driven by price controls and high feed costs. Poultry demand is expected to increase because relatively low price compared to pork and beef.

The poultry sector is strong, organized, vertically integrated, and well-managed. These attributes are key to sustaining the industry in spite of a price control policy which does not allow producers to raise prices in step with growing production costs, and competition from increased government imports of Brazilian poultry.

Venezuela produces and consumes only small amounts of duck and turkey. Therefore, the majority of the poultry referred to in this report is chicken.

Feed Availability

Venezuela's poultry producers work very closely with the animal feed processors, through vertical integration within the industry. The trend is toward greater concentration of farms and processors. All animal feed is domestically produced from a combination of imported and domestic inputs. Yellow corn, yellow grease and soybean meal are imported. Locally produced yellow corn is also used by the animal feed processing industry.

The partnership between the poultry and animal feed industries is important due to the fact that access to imported inputs is subject to an import licensing scheme administered by the Ministry of Food (Ministerio de Alimentación, or MINAL.) Issuance of import licenses for yellow corn and soybean meal is not automatic. Venezuela could be 100 percent self-sufficient in poultry if it had more access to imported feed ingredients, according to industry representatives. Issuance of import licenses is tied to the purchase of local grain crops, but this has not restricted trade recently.

Cost and Quality

The poultry sector will continue to look for quality improvement and cost reduction. The tendency for the near future is to maintain investments to upgrade the poultry sector. Venezuela is one of the largest delegations of attendees from the western hemisphere to the

U.S. International Poultry Exposition & Show, an indicator of the need to adopt advanced technology to maintain competitiveness.

Feed represents about 80 percent of total production costs, which continue to move with the price of imported inputs. In addition, labor costs (minimum wage and increasing labor benefits), transportation, marketing, and security services are also increasing.

Price Controls

Since 2003, retail prices for poultry have been under a government control policy. That is, whole poultry and cuts are sold at a fixed price established by the Bolivarian Republic of Venezuela (BRV). The poultry industry continues to lobby government authorities to ultimately remove poultry and products from the list of price-controlled products. However, to date the government has agreed only to "review" current fixed prices. Nevertheless it seems unlikely that price controls be lifted in the short or medium term.

Tracking controlled prices for poultry has been a challenge since 2003. Poultry products like whole chicken, breast and leg quarters, as well as its boneless and skinless versions, were sometimes included in the controlled price listings. In some cases, certain products were removed from the list, and in some other cases, a unique price was established for different products. The latest revision of prices was done in April 2008, and current poultry prices are presented below:

Table 1. Poultry Prices

Venezuela's Poultry Prices (BsF per Kilogram)					
	Whole Chicken	Breast	Breast, boneless	Leg quarters	Leg quarters, boneless
Feb 2003	1.8	2.7	4.15	2.0	3.5
Feb 2004	2.3	3.3	not controlled	not controlled	not controlled
Nov 2004	3.13	4.49	4.49	3.33	3.33
Feb 2007	4.45	7.0	7.0	7.0	7.0
Apr 2008	8.39	12.91	12.91	19.88	19.75

Source: Official Gazettes

Note: 1 USD=Bs 2.15

Large stores, such as the hypermarkets, supermarket chains, and established butcher shops are required to sell products at the established price on the price control list. Charging more than the official controlled price is illegal and leads to steep fines and possibly temporary closures of poultry facilities, supermarkets and hypermarkets.

Consumption

Consumption is expected to grow steadily during 2010, in response to increases in poultry meat imports. According to Fenavi (the Venezuelan Poultry Federation), domestic poultry production is about 900,000 metric tons per year. While price controls compromise profit margins, they

also have helped to boost consumption. The poultry sector foresees a boost in consumption as the government continues to play an active role as a leading poultry supplier and importer through its state-owned food distribution network. PDVAL, another government purchaser, is expected to import at least 160,000 tons of poultry products on 2009. Poultry products offered through the government's distribution network even are cheaper than current controlled prices. Government poultry imports from Brazil, the main supplier, are subject to neither tariff nor custom charges.

The Executive Branch's decision to freeze trade relations with Colombia has begun to take effect, with some shortages reported by dairy, beef, and poultry industry representatives. In the case of poultry, fertile eggs and baby chicks, imports are flowing regularly. FENAVI reported that programmed purchases have entered the country gradually as they were scheduled. Poultry producers have the option of replacing these imports with Brazil. The government is also negotiating prices and quantities with producers in Argentina, but there is concern about availability. Some products previously imported from Colombia are produced in the country.

Poultry is the meat of choice of Venezuelan consumers. It remains the most available and cheapest source of animal protein as compared to beef and pork. According to figures presented by FENAVI, between 2007 and 2008 annual per capita consumption increased from 33 kilograms to 35 kilograms. The poultry sector foresees a boost in consumption as the government continues to play an active role as a poultry supplier through its state-owned food distribution network. Poultry products offered through the government's distribution network are cheaper than current controlled prices. In addition, shortages of beef registered through 2008 and part of 2009 will continue to strengthen demand for poultry.

About 80 percent to 90 percent of the poultry produced in Venezuela is purchased fresh by households. The rest goes to the processing sector (hams, sausages, frozen nuggets, etc.).

Trade

Despite a domestic poultry sector capable of meeting domestic demand, whole poultry is imported from Brazil. Venezuela's poultry industry says that it can supply 100 percent of demand, but cannot demonstrate this as long as imports continue. Government poultry imports from Brazil are subject to neither tariff nor custom charges, and do not require foreign exchange applications. Imports are only conducted by the government, but are sold to both the private retail sector and government food distribution network. Poultry imports for 2009 and beyond are forecast to continue its upward trend. There are no official statistics regarding the exact level of imports.

In the Uruguay Round negotiations, Venezuela established a tariff rate quota for poultry products (HR Code 0207) at 3,426 tons. However, the BRV effectively had a ban on unprocessed (fresh) poultry meat since in 1993 and has effectively barred imports from any country that could not or would not certify to being free of avian influenza (AI), both for high and low pathogenic AI.

The current ad valorem tariff for poultry meat from third countries is 20 percent plus a variable duty. Whole poultry and poultry pieces are included under the Andean price band system. This system raises or lowers the ad valorem duty of groups of related products according to the relationship of the prices of specified "marker" commodities to set floor and ceiling prices.

Stocks

Since 2007, a law against hoarding, speculation, usury, and any other action that could affect the normal distribution of food products under price controls has been in effect. Therefore, producers keep stocks at minimum levels due to the fear of being accused of hoarding by government authorities.

Policy

There is no specific agricultural policy for poultry production, rather than including poultry and egg in the list of priority commodities that will receive agricultural financing during fiscal year 2007 (published on the Official Gazette N° 38,619, dated 02/05/07).

Marketing

Poultry is available fresh, refrigerated, frozen or processed. Refrigerated poultry products include ham-style turkey breast, chicken sausages, chicken bologna, whole-smoked chicken, and chicken ham.

Production, Supply and Demand Data Statistics:

POULTRY IMPORTS (Metric Tons)

	2007		2008		2009	
	Tm	%	Tm	%	Tm	%
January	3,803.98	-58.50	13,482.00	47.00	11,537.00	33.90
February	7,205.96	89.40	5,574.20	-58.70	11,646.00	0.90
March	1,105.62	54.10	1,786.40	-68.00	4,733.50	-59.40
April	7,796.68	-29.80	17,324.00	869.80	11,443.00	141.80
May	10,637.00	36.40	10,908.00	-37.00	10,172.00	-11.10
June	5,561.10	-47.70	7,197.80	-34.00	12,141.00	19.30
July	10,483.00	88.50	11,876.00	65.00	4,625.60	-61.90
August	4,692.30	-55.20	27,296.00	129.80	12,897.00	178.80
September	9,682.70	106.40	19,536.00	-28.40	7,660.20	-40.60
October	11,031.00	13.90	26,179.00	34.00		
November	9,943.40	-9.90	9,838.70	-62.40		
December	9,173.40	-7.70	8,613.30	-12.50		
Total	101,117.36	179.9	159,615.72	844.6	86,858.61	201.7
Average	8,426.45	14.99	13,301.31	70.38	9,650.96	22.41
Annual Variation		83.5		57.9		

POULTRY PRODUCTION (metric tons)

	2007		2008		2009	
	Tm	%	Tm	%	Tm	%
January	54,914.00	-15.70	70,076.00	-1.00	73,756.00	-0.50
February	68,594.00	24.90	87,210.00	24.50	73,097.00	-0.90
March	68,265.00	-50.00	78,915.00	-9.50	70,446.00	-3.60

April	72,058.00	5.60	82,696.00	4.80	79,938.00	13.50
May	69,283.00	-3.90	84,300.00	1.90	84,379.00	5.60
June	76,340.00	10.20	76,565.00	-9.20	82,177.00	-2.60
July	73,133.00	-3.90	77,008.00	0.60	78,284.00	-4.70
August	74,146.00	1.40	82,903.00	7.70		
September	78,937.00	6.50	75,158.00	-9.30		
October	70,452.00	-10.70	79,520.00	5.80		
November	74,419.00	5.60	75,621.00	-4.90		
December	66,156.00	-11.10	74,148.00	-1.90		
Total	846,697.00	8.4	944,120.00	9.5	542,077.00	6.8
Average	70,558.08	0.7	78,676.67	0.79	77,439.57	0.97
Annual Variation		13.8				

EGGS PRODUCTION (Units)

	2007		2008		2009	
	Units	%	Units	%	Units	%
January	766,263.00	20.50	943,390.00	1.60	915,292.00	-0.30
February	683,749.00	-10.80	879,649.00	6.80	824,928.00	-9.90
March	819,013.00	19.80	932,612.00	6.00	910,565.00	10.40
April	794,143.00	-3.90	898,752.00	3.60	861,623.00	-5.40
May	829,210.00	4.40	916,074.00	1.90	876,979.00	1.80
June	829,444.00	0.03	884,024.00	3.50	829,369.00	-5.40
July	864,112.00	4.40	903,816.00	2.20	841,488.00	1.50
August	893,280.00	3.40	907,087.00	0.40		
September	875,049.00	-2.00	879,432.00	3.00		
October	906,998.00	3.70	824,803.00	5.20		
November	883,184.00	-2.60	884,735.00	4.30		
December	928,138.00	5.10	918,012.00	3.80		
Total	10,072,583.00	42.03	10,872,386.00	-0.1	6,060,244.00	-7.3
Average	839,381.92	3.5	906,032.17	0.01	865,749.14	1.04
Annual Variation		27.2				

Sources: FENAVI and Local Poultry Producers